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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

WILLIAM L. VOIGHT

MCLEODUSA TELECOMMUNICATION SERVICE, INC.

CASE NO. TT-2006-0474

Jefferson City, Missouri
September 2006

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of McLeodUSA Telecommunications Services, Inc.'s Tariff Filing to Increase its Missouri Intrastate Access Rates.	))))	Case No. TT-2006-0474

AFFIDAVIT OF WILLIAM L VOIGHT

STATE OF MISSOURI)
) **ss**
COUNTY OF COLE)

William L. Voight, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 28 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.

Bill Voight

William L. Voight

Subscribed and sworn to before me this 25 4th day of September, 2006.

Rosemary R. Robinson

Notary Public

My commission expires 9-23-2008

ROSEMARY R. ROBINSON
Notary Public - Notary Seal
State of Missouri
County of Callaway
My Commission Exp. 09/23/2008

REBUTTAL TESTIMONY

OF

WILLIAM L. VOIGHT

MCLEODUSA TELECOMMUNICATION SERVICE, INC.

CASE NO. TT-2006-0474

Q. Please state your name and give your business address.

A. My name is William L. Voight and my business address is P.O. Box 360, 200 Madison Street, Jefferson City, Missouri 65102.

Q. By whom are you employed and in what capacity?

A. I am employed by the Missouri Public Service Commission as a supervisor in the Telecommunications Department. I have general supervisory responsibility for staff recommendations pertaining to tariff filings, interconnection agreements, and telephone company mergers and acquisitions. In conjunction with other staff persons, I provide staff recommendations on a wide variety of other matters before the Commission including rulemakings, complaints filed with the Commission, and Commission comments to the Federal Communication Commission (FCC). My duties have also involved participation as a member of the Commission's Arbitration Advisory Staff, which is comprised of subject matter experts who assist an arbitrator in interconnection and compensation disputes involving the Federal Telecommunications Act of 1996. Lastly, I participate in and coordinate special projects, as assigned by management. Examples of special projects in which I have participated include Case No. TW-2004-0324, a Study of Voice over Internet Protocol in Missouri, and Case No. TW-2004-0471, a Commission-appointed Task Force to study expanded local calling in Missouri. As necessary and appropriate, I also provide assistance to the Commission, executive level management, and members of the General Assembly on legislative matters.

Q. What is your education and previous work experience?

A. I received a Bachelors of Science degree with a major in economics from Lincoln University in Jefferson City, Missouri. A copy of relevant work history is attached as Schedule 1.

Q. Have you previously testified before the Commission?

A. Yes, a list of cases where I have served as a witness by providing testimony is attached as Schedule 2.

Q. What experience do you have with the application of caps on the exchange access rates of competitive local exchange carriers in Missouri?

A. As a condition of certification, all competitive local exchange carriers in Missouri have a cap on exchange access rates, and I have generally supervised the Telecommunications Department Staff (Staff) involvement in carrying out the Commission's policy in that regard. I was also personally involved in advancing the Staff position in support of the caps contained in a stipulation and agreement submitted to the Commission on September 23, 1996. That stipulation, which contained seventeen signatures representing the various parties of seven consolidated cases, culminated in the first seven certificates of authority granted to competitive local exchange carriers in Missouri. In one way or another, I have been involved with exchange access rate caps since that time. For clarity, a list of the case numbers and affected carriers in those original certification cases is attached to my testimony as Schedule 3.

Q. What is the purpose of your Rebuttal Testimony?

A. My rebuttal testimony is responsive to the direct testimony of Tami J. Spocogee filed on behalf of McLeodUSA (McLeod). In general, my testimony addresses what I would consider to be policy issues associated with Ms. Spocogee's testimony. More specifically, my testimony supports the Staff's reasons for our recommendation that the Commission reject McLeod's P.S.C. Mo. No. 6 Access Services Tariff. Staff economist Adam McKinnie is rebutting testimony, and the cost study submitted in support thereof, filed by McLeod witness John Balke.

Q. Have you provided any Schedules which aid in understanding the subject matter in this case?

A. Yes. I have attached Schedule 7, which is a network diagram and Glossary of Terms used throughout my testimony.

Q. Please summarize what McLeod's tariff filing proposes to do.

A. McLeod has made a tariff filing in which it proposes to implement Mo. P.S.C. Mo. No. 6 Access Services tariff, to replace in its entirety McLeod's current P.S.C. Mo. No. 3 Access Services tariff. The tariff filing was made electronically, and recorded as Tariff File Number JC-2006-0788. In its April 17, 2006 letter accompanying the tariff filing, McLeod states the following:

> McLeodUSA has recently undertaken an overarching review of its existing access products with an eye toward simplifying those products, as well as developing rates and rate elements more consistent with its underlying network and operations. As a result of that review, McLeodUSA has streamlined its various state-specific tariffs into a regional template upon which all of its intrastate tariffs will now be based. This tariff filing effectuates those revisions. Notice of this tariff change has been provided to all potentially-affected intrastate access customers via direct mail, dated April 3, 2006.

Similarly, in its June 20, 2006 Response to AT&T Missouri's Motion to Suspend and Investigate McLeod's Access Rate Tariff, McLeod stated the following:

> While it may have been reasonable and appropriate in 1998 for McLeodUSA to agree to follow the ILEC access rate structure and rates when it relied so heavily on the ILEC network to provide access services, it is now appropriate for McLeodUSA to adopt access rates that reflect its own cost structure, and equally important, its own network infrastructure and design. It simply makes no sense to force McLeodUSA to continue reliance on the ILEC access rate and rate structure that bears little relation to the McLeodUSA network infrastructure and its associated costs.

Q. Does the Staff support McLeod's proposal?

A. No, we are unable to support the proposal and we recommend the Commission reject the filing.

Q. Please list the reasons for the Staff's opposition to McLeod's proposal.

A. Our reasons are as follows:

- McLeod has not provided any cost support for the carrier common line rate element, an element which accounts for 44 percent of the total revenue McLeod would receive from providing its switched access service.
- McLeod's Total Service Long Run Incremental (TSLRIC) cost study does not properly calculate rates for the elements in which it has provided cost support.
- McLeod's TSLRIC cost study results in a rate application which places a disproportionate level of contributions on intrastate access rate payers, as opposed to spreading those contributions over all of its rate payers.

- McLeod's proposal does not promote the public interest because its proposal to raise exchange access rates is inconsistent with the manner in which the Missouri legislature has addressed intrastate switched access rates for incumbent carriers, which contemplate that such rates may be gradually lowered to a point within 150 percent of interstate parity.
- McLeod's proposal does not promote the public interest because its proposal to raise exchange access rates is inconsistent with the Federal Communications Commission's current Intercarrier Access Reform docket.
- McLeod's proposal seeks to use its access services tariff to impose reciprocal compensation obligations on other local exchange carriers for the exchange of local telecommunications traffic. Compensation for such traffic should be governed by the process of negotiation and, in Missouri, is subject to a bill-and-keep arrangement for Metropolitan Calling Area (MCA) traffic.
- McLeod's tariff proposal contemplates a rate structure which includes a $0.00 residually priced interconnection charge (RIC), a rate element previously found by the Commission to be "unlawful" because of the potential market entry barriers such charges represent to other carriers. Even though McLeod's proposed per-minute rate is $0.00, questions abound as to what would happen if McLeod sought to increase the rate in the future.

Q. In examining McLeod's proposal, what issues do you expect the Commission will be asked to decide in this case?

A. I expect the Commission will be asked to examine several questions surrounding McLeod's cost study. Among those questions are whether a TSLRIC study is the proper type of cost study, and to what extent McLeod has properly conducted the study.

Q. In your opinion, does the Commission have to rule on these questions?

A. Not necessarily. As with all competitive local exchange carriers, rates for McLeod's switched access services are capped by the Commission at a rate which is to be no higher than those of the incumbent local exchange carrier with whom it competes. In order to go above the cap, as McLeod proposes to do, McLeod has to demonstrate that its proposed rates are cost justified. As will be demonstrated in my testimony and that of Staff witness McKinnie, McLeod has provided no cost justification for a significant portion of its intrastate switched access rates, known as the carrier common line charges. Thus, in the Staff's opinion, the Commission need only recognize that fact. It is not necessary for the Commission to decide whether or not the proper type of cost study has been submitted by McLeod; nor is it necessary for the Commission to rule on other matters associated with the cost study, such as the assumptions made about various inputs to the model. In my view, the Commission need only recognize the rate elements comprising the switched access rate comparison, and rule that all of those elements require cost justification – not just some of the rate elements. In this case, and as will be shown further, McLeod has simply not done so.

Q. Has the Commission ever made a determination as to the proper cost study and corresponding assumptions and inputs to be used for the provision of exchange access service?

A. No. The Commission addressed this question as recently as 2003 when it thoroughly examined the interrelationship between switched access costs and rates, and stated the following:

> The Commission will not address the issues relating to what sort of costing methodology should be used, whether the same method should be applied to all carriers, whether loop costs should be included in reckoning access costs, and if so, to what extent, or what specific values and assumptions should be used as inputs.[1]

Q. Please elaborate on the Staff's concern for the lack of cost support for McLeod's proposed carrier common line rate element.

A. In Case No. TR-2001-65, the Commission determined that switched access service is a locational monopoly and that competitive pressure cannot exert sufficient market discipline to maintain access rates at a reasonable level in the absence of a Commission-imposed cap on those rates.[2] Consequently, the Commission determined that an exchange access rate cap placed on competitive local exchange carriers was in the public interest because without a cap, such rates could become unduly high. However, the Commission also permitted competitive local exchange carriers to petition the Commission for rates above the cap upon a showing that the rates are cost-justified.[3]

Of particular concern to the Staff is McLeod's proposal to not only continue imposition of the carrier common line charge rate element - *but to actually raise the charges for those elements above their <u>current</u> level* (which are already 6 percent higher than AT&T Missouri's). Further, McLeod proposes to increase carrier common line charges absent any

[1] RE: *In the Matter of an Investigation of the Actual Costs Incurred in Providing Exchange Access Service and the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri.* Case No. TR-2001-65, Report and Order, page 17.
[2] *Id*. page 12.
[3] *Id*. at pages 19, 20 & 21.

demonstration of cost justification. The carrier common line rate element represents revenues which are 44 percent of what McLeod expects to receive from providing intrastate switched access service.

Q. Please explain how you arrive at the 44 percent figure.

A. Attached to my testimony is Schedule 4. This schedule shows the four exchange access rate elements being compared to AT&T Missouri, the underlying incumbent local exchange carrier with whom McLeod is competing. McLeod's proposed rate for the carrier common line charge is shown in Column C as $0.01813. This rate is simply divided by the Total rate of $0.0409, shown at the bottom of Column C, to arrive at the 44 percent figure. I will discuss other aspects of Schedule 4 further in my testimony.

Q. What is the carrier common line rate element?

A. The carrier common line is a rate element (i.e., a rate component) of switched access (a/k/a exchange access) telephone service. Carrier common line rate element(s) are said to be in place in order for local telephone companies to recover a certain portion of the cost of a subscriber's local loop (i.e., the connection between the subscriber's premises and the local telephone office). Carrier common line rate elements are often residually priced, and represent a "make whole" rate element in which the company may recover the cost for other services which are said to be priced below cost. Missouri has adopted such rate components consistent with how the Federal Communications Commission originally established the rate methodology for interstate exchange access service (circa 1983). In this instance, there is one rate for calls that originate and a different rate for calls that terminate. Also in this instance, the originating and terminating rates are at parity for inter and intraLATA calls. Other methods used to recover a subscriber's local loop costs include direct contributions paid by end-users who subscribe to local voice service, various high cost support mechanisms, and the federally authorized end user common line ("EUCL") charge which is also known as a Subscriber Line Charge or "SLC."

Q. Are you able to elaborate on the Staff's concerns that McLeod has not properly calculated rates for the switched access rate elements for which it has provided cost support?

A. No. Staff economist Adam McKinnie covers those items in his rebuttal testimony.

Q. Please elaborate on the Staff's concerns that McLeod's cost study results in a rate application that places a disproportionate level of contributions on intrastate access rate payers.

A. McLeod's petition for higher rates is, appropriately, accompanied by a detailed cost study. McLeod has stated its desire to charge exchange access rates that are more in line with its costs of providing the service. McLeod's method of achieving this business objective, which I will refer to as one method of restructuring local transport, revolves around a pricing concept which may be summarized by stating that, essentially, "a minute is a minute is a minute." That is to say, the firm incurs essentially the same cost of providing its services, irrespective of who is responsible for using it. In this regard, McLeod proposes a pricing method in which intrastate exchange access customers (for example, long distance carriers) are to be charged – on a minute-by-minute basis - for use of McLeod's local telephone network. Thus, McLeod maintains that its proposal permits it to charge for exchange access service in a manner that reflects McLeod's "actual cost" of providing the service (Spocogee Direct Testimony; page 6, line 130).

The Staff is concerned that McLeod's efforts to restructure its local transport service singles out intrastate access customers as the sole recipients of its minute-by-minute pricing policy. Other customers to whom the same policy will not be directed include interstate exchange access carriers, other local exchange carriers, wireless carriers, and local exchange end-user customers.

Q. Please elaborate on the Staff's concerns that McLeod's proposal does not promote the public interest because it is inconsistent with the manner in which the Missouri legislature has addressed switched access rates for incumbent carriers in Missouri.

A. I would like to preface my answer by first stating that, in the Staff's view, McLeod's proposal is not unlawful. This is because the legislature in Missouri has not directly addressed the access rates of competitive carriers. However, the General Assembly has addressed switched access rates of incumbent carriers in section 392.245, commonly known as the price cap statute. The Staff finds this section instructive. Section 392.245.8 contemplates a process by which incumbent local exchange carriers may reduce intrastate exchange access rates, including carrier common line charges, to a level not to exceed one hundred fifty percent of the company's interstate rates for similar services. Although this section does not automatically require any carrier, including competitive carriers such as McLeod, to adhere to the one hundred and fifty percent benchmark, McLeod's proposal is certainly contrary to any notion that switched access rates in Missouri should be reduced, not increased. To the extent that policy makers intend for switched access rates be reduced, McLeod's proposal to increase such rates would not support a public interest finding. Moreover, at a time when McLeod's competitor, AT&T Missouri, has actually lowered its intrastate switched access rates three years in a row (and five out of the last six years), it would seem that McLeod's proposal to raise rates would not promote the public interest.[4]

Q. Do you have any evidence to demonstrate that AT&T Missouri's intrastate switched access rates have historically declined in Missouri?

A. Yes. AT&T Missouri's current structure of charging for exchange access service was established in Case No. 86-84. Tariff sheets implementing the structure became effective on July 1, 1986. For clarity, I have attached as Schedule 5 the relevant access services tariff sheets to support this claim. As can be seen, AT&T Missouri's rates for originating traffic have declined by 53 percent since 1986, and its rates for terminating traffic have declined by 56 percent since 1986. A comparison of 1986 rates to current rates shows the following:

Element	1986	Present	% Change
Local Switching (FGD D)	.0102	.008009	-21%
Local Transport (1 mile)	.0066	.0048	-27%
CCL Originating	.0304	.0094626	-69%
Total Originating	.047200	.022272	-53%

Element			
Local Switching (FGD D)	.0102	.008009	-21%
Local Transport (1 mile)	.0066	.0048	-27%
CCL Terminating	.0521	.0171586	-67%
Total Terminating	.068900	.029968	-56%

Q. Please elaborate on the Staff's concern that McLeod's proposal does not promote the public interest because it is contrary to access reform dockets currently pending before the Federal Communications Commission (FCC).

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[4] The CPI-TS (August to July time period) was -1.9547% in 2005; -2.6816% in 2004; -0.0503% in 2003; +0.8958% in 2002; -0.7465% in 2001; and -0.9225% in 2000.

A. The FCC has concluded that there is an urgent need to reform the existing intercarrier compensation rules. To that end, it has received several proposals on intercarrier compensation, including exchange access rate reform.[5] One proposal, known as the "Missoula Plan", was submitted by the National Association of Regulatory Utility Commissioners' Task Force on Intercarrier Compensation. The Missoula Plan proposes significant changes to the current access payment structure, driving current intrastate access rates to interstate levels or even lower. Similarly, many of the other proposals outline significant changes to the intercarrier compensation methodology, including a proposal to institute bill-and-keep as the appropriate compensation mechanism for all types of traffic.

In the Staff's view, McLeod's proposal does not promote the public interest because it is inconsistent with the FCC's objective of implementing intercarrier compensation reform that will serve its goals of economic efficiency and investment, development of competition, preservation of universal service, and competitive and technological neutrality. Moreover, McLeod's proposal is inconsistent with pending proposals currently being considered at the federal level to enact exchange access reform.

Q. Please elaborate on the Staff's concerns that McLeod's proposal seeks to impose reciprocal compensation obligations on other local exchange carriers for the exchange of local telecommunications traffic.

A. McLeod proposes to use Section 6.9 of its P.S.C. Mo. No. 6 tariff to incorporate a product offering termed "Local Termination Service" (Spocogee Direct Testimony; page 6, line 140. Also, Tariff Sheet 61). Under Local Termination Service, McLeod proposes to charge rates of more than two cents per minute for termination of local

[5] Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking. *In the Matter of Developing a Unified Intercarrier Compensation Regime.* CC Docket No. 01-92. Released April 19, 2001 and March 3. 2005, respectively.

(not long distance) telephone calls. Local traffic is subject to reciprocal compensation, and rates (if any) are subject to negotiation pursuant to the Telecommunications Act of 1996. In the Staff's opinion, rates charged for the exchange of local traffic should be contained in interconnection agreements and, if involving an incumbent local exchange carrier, approved by the Commission – not set forth in tariffs. Under McLeod's proposal, other local exchange carriers would be charged the higher of: (1) McLeod's proposed rates, or (2) the rates charged to McLeod by the reciprocating carrier.

The Staff is particularly concerned about the potential that such practices may lead to spiraling rates among carriers with no basis in cost, particularly if the percentages of traffic being exchanged are not equal. To my knowledge, no other carrier in Missouri has tariffed reciprocal compensation charges for local traffic. Further, a tariff proposal that allows McLeod to charge the rates charged to it by the reciprocating carrier has the effect of allowing McLeod to charge non-tariffed rates for what it proposes to be a tariffed service.

Q. Are there other concerns with "Local Termination Service?"

A. Yes, according to its tariffs, McLeod participates in Missouri's Metropolitan Calling Area (MCA) plan. As a participant in the MCA, and as a party to Case No. TO-99-483, McLeod is required to adhere to a bill-and-keep mechanism with other local exchange carriers when exchanging MCA traffic.[6] In my view, McLeod's proposal would be contrary to the Commission's decision involving MCA traffic exchange. Although I have previously set forth additional reasons for the Staff's recommendation for rejection of McLeod's tariff,

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[6] RE: *In the Matter of an Investigation for the Purpose of Clarifying and Determining Certain Aspects Surrounding the Provisioning of Metropolitan Calling Area Service After the Passage and Implementation of the Telecommunications Act of 1996.* Case No. TO-99-483; Report and Order, page 34, para. 15. September 12, 2000.

the Staff recommends the Commission reject McLeod's tariff if for no other reason than its proposal to implement "Local Termination Service."

Q. Please elaborate on the Staff's concerns that McLeod's proposal sets forth a rate structure that contemplates a $0.00 interconnection charge rate element.

A. An interconnection charge is also known as a "residual interconnection charge" or "RIC." It is a rate element that I would expect to find in McLeod's and AT&T Missouri's interstate access tariffs. RICs are so named because they are residually priced; that is to say, the rate of the charge has come about primarily because of revenue requirement purposes, and not necessarily because of cost causation purposes. RICs are priced on a per-minute of use basis, and are imposed at the subscriber's port where the local loop is connected to the central office. RICs are, in my opinion, very similar, if not identical, to carrier common line charges because both rate elements represent switched access charges that cannot be avoided by access customers (unlike, for example, the tandem switching rate element). The Commission previously addressed the concept of RIC charges when Southwestern Bell Telephone Company (SWBT - now known as AT&T Missouri) attempted to restructure its local transport service in Case No. TR-95-342.[7]

Q. What did the Commission conclude in Case No. TR-95-342?

A. Because of the RIC, the Commission rejected SWBT's tariff sheet proposal. As a Primary Toll Carrier, SWBT's proposal had a financial impact on itself, as well as on other long distance carriers. Many of the financial impacts on *other* carriers were significantly negative. In its Findings of Fact, the Commission concluded that SWBT's

[7] RE: *In the Matter of Southwestern Bell Telephone Company's tariff sheets designed to restructure local transport rates*. Case No. TR-95-342. Report and Order issued March 6, 1996.

proposed RIC was not cost-based, and its attempt to restructure local transport was inappropriate because of the potential market entry barriers it represented to other carriers.

Q. Even though McLeod has an interconnection charge rate element in its proposed tariff, it has set the rate at $0.00 in Missouri. Does a $0.00 rate for the RIC minimize your concerns?

A. Yes, considerably. However, in my view, just the fact that McLeod has incorporated such a concept into its tariff raises questions. For example, if the tariff is approved in the instant case - with a RIC element but not a charge - will McLeod then be permitted to implement a charge, on ten-days notice, for the RIC in the future? Even though I think the answer to that question would be "no", I am raising the issue now out of an abundance of caution.[8]

McLeod asks the Commission to approve its tariff proposal because it is proposing what it considers to be cost-based exchange access rates. Yet, when examined, its proposal contains a common line charge for which it has provided no cost justification and moreover, it has put in place a rate structure that appears to contemplate a residually priced interconnection charge rate element (even though the rate is $0.00) that has previously been examined and rejected by the Commission in another case.

Q. Mr. Voight, you seem to be drawing a parallel between RICs and carrier common line charges. Please explain the relevance to this case?

[8] Essentially, McLeod is precluded from raising its exchange access rates above the cap *established in the stipulation and agreement* on less than 30-days notice to the Commission. As with all C-LECs in Missouri, McLeod's certificate of authority and continued competitive status "are expressly conditioned upon the requirement that any increases in switched access rates above the maximum switched access service rates set forth in the [stipulation and] agreement must be cost justified pursuant to Sections 392.220, RSMo. Supp 1996, and 392.230, rather than Sections 392.500 and 392.510." Case No. TA-98-288; Report and Order, ordered paragraph 8.

A. No other carrier has petitioned the Commission to charge exchange access rates above the cap, and no other carrier in Missouri is doing so.[9] However, that does not mean that all carriers exactly duplicate the legacy rate methodology of the underlying carrier (as will be discussed further, one such example is Case No. TA-96-345[10]). In drawing the parallel, I am simply pointing out that the Staff's opposition to McLeod's proposal does not lie in the fact that it has proposed rate elements, however designated, that are different from AT&T Missouri's; rather, the Staff's opposition to McLeod's proposal is primarily due to a lack of loop cost justification. Additionally, I am pointing out that McLeod's proposal appears to contemplate both a carrier common line charge and a RIC, even though a rate for the RIC is yet to be established. Lastly, my purpose in making comparisons between RICs and carrier common line charges is simply to bring to the Commission's attention the primary example in which that issue was previously addressed in Case No. TR-95-342.[11]

Q. McLeod has stated that it does not have an end user common line (EUCL) charge (Spocogee Direct Testimony; page 4, line 86; McLeod responses to Staff data requests No. 33 and 34). Please explain a EUCL and state whether or not you agree with McLeod's statements on this matter.

A. A EUCL charge is also known as a subscriber line charge (SLC). SLCs and EUCLs are largely federal matters. These charges are used by local exchange carriers to offset the lost revenue associated with reductions to exchange access rates that have occurred

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[9] The only exception might be carriers who have not reflected the downward CPI-TS trend in recent years.

[10] RE: *In the Matter of the Application of TCG St. Louis for a Certificate of Service Authority to Provide Basic Local Telecommunications Services in Those Portions of St. Louis LATA No. 520 Served by Southwestern Bell Telephone Company.*

[11] Similarly, in its Conclusions of Law in Case No. TA-96-345 the Commission stated: "TCG's tariff is distinguishable from the SWBT tariff filed in Case No. TR-95-342 in that SWBT's tariff included a residual interconnection charge that was not cost-based. Such charges are unlawful under the federal telecommunications Act of 1996." RE: *In the mater of Southwestern Bell Telephone Company's tariff sheets designed to restructure local transport rates.* Report and Order, page 8.

in the interstate jurisdiction. SLCs are placed on a subscriber's local telephone bill and the revenue received from the subscribers is kept dollar-for-dollar by the local exchange carrier. SLC revenue is said to help recover the accounting entries which attribute a certain proportion of a subscriber's local loop to the interstate accounting jurisdiction. McLeod has stated that there is no need to impose such an "artificial" charge on its end users, and I have no reason to disagree with that statement. However, and somewhat inexplicably, McLeod indicates on sheet 67 of its proposed tariff that EUCL charges are contained in its federal access tariff, on file with the Federal Communications Commission.

Q. Are there inferences that can be drawn from a pricing policy that charges high non-cost supported carrier common line charges for exchange access service, and no SLC for local voice service?

A. Yes. In my opinion, one possibility may be that McLeod is attempting to build into its Missouri tariffed per-minute access rates a component representing the subscriber line charge that AT&T Missouri imposes on its end users – a practice seemingly forbidden by the Federal Communications Commission when establishing interstate exchange access rate caps.[12]

Q. Ms. Spocogee opines that McLeod's tariff filing promotes the public interest (Direct Testimony; page 2, line 43). Do you agree with her?

A. No, I'm unable to support her belief that McLeod's filing promotes the public interest. I have attached Schedule 4 to show a comparison of McLeod's current and proposed rates to those of the incumbent with whom it competes, AT&T Missouri. As shown,

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[12] *As stated: "This does not entitle CLECs to build into their tariffed per-minute access rates a component representing the subscriber line charge (SLC) that ILECs impose on their end users, or any other charges that ILECs recover from parties other than IXCs to which they provide access service." CC Docket No. 96-262; April 27, 2001, paragraph 54.*

McLeod's proposed total terminating rates are 37 percent above those of AT&T Missouri (McLeod's originating rates are 84 percent higher).

Although McLeod has filed a cost study in support of its overall proposal, McLeod has shown no cost justification in support of its proposal to actually increase the carrier common line charge rate element which, at least for originating traffic, is especially high. High access rates have been found by the Commission to distort the interexchange market, to create disincentives to serve those markets, and to provide opportunities for discriminatory pricing. Moreover, the Commission has characterized such practices as "anti-competitive" because they may act as a deterrent to local market entry by imposing increased business expenses on new entrants.[13] As a relative new market entrant, I am concerned that McLeod's high carrier common line rates result in a shift of a substantial portion of McLeod's start-up costs onto the long distance market. Such practices would appear to be what the Commission had in mind about market distortions when it permanently established the cap in Case No. TR-2001-65.

Q. Is McLeod's pricing proposal consistent with how McLeod prices its interstate exchange access service?

A. No. McLeod's proposal to increase its total terminating intrastate rates 37 percent higher than the incumbent would not be permitted if this were an interstate filing. Pursuant to guidelines established by the Federal Communications Commission for interstate services, McLeod's rates in the federal jurisdiction are either benchmarked at a certain level,

[13] RE: *In the Matter of an Investigation of the Actual Costs Incurred in Providing Exchange Access Service and the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri.* Report and Order, page 13.

or capped at a rate no higher than the incumbent who, in this case, happens to be AT&T Missouri.[14]

Q. You have previously stated that McLeod's current carrier common line rate elements are already six percent higher than ATT's Missouri's rate. Is McLeod currently in violation of the cap?

A. Yes, McLeod is currently in violation. As shown in column "f" of Schedule 4, McLeod's current total switched access rates are five percent higher than AT&T Missouri's. As also shown in Schedule 4, McLeod's rates have not been adjusted since May 20, 2000. Thus, it has not reflected the downward trends in the cap that have occurred in recent years.

Q. Schedule 4 shows that McLeod's proposed rate elements are somewhat different than AT&T Missouri's. Please explain the difference.

A. There are two differences. The first difference is McLeod's proposed tandem switched termination rate element, which is a rate element that AT&T Missouri does not have. For this element, McLeod proposes a rate of $0.00169 per-minute.

The second difference is McLeod's proposal to charge the same rate of $0.00076 per-minute for each mile of transport, irrespective of the total distance of transport. By way of comparison, AT&T Missouri's per-minute transport rate(s) are composed of mileage bands, so that there are actually four different base rates, depending on which "band" is involved. In contrast, McLeod's method proposes to charge the same per-minute rate for all miles of transport, irrespective of mileage "bands."

Q. Does the difference in the transport and termination rate structure cause the Staff any concerns?

[14] *Access Charge Reform*, CC Docket No. 96-262, Seventh Report and Order, rel. April 27, 2001, paragraph 51.

A. No, not necessarily. The Commission has previously recognized that some competitors may choose to structure their services differently than incumbents. Although different structures may tend to make rate comparison difficult, it is not always necessary for competitors to exactly duplicate an incumbent's legacy network element pricing scheme. The only requirement has been that the aggregate charge for switched access rate elements, however described, cannot exceed the aggregate charge of the incumbent with whom the competitor is competing. In Case No. TA-96-345, the Commission recognized the entrance facilities and flat-rate transport options of TCG St. Louis, even though the incumbent, Southwestern Bell Telephone Company (now AT&T Missouri), does not price its service in Missouri with those elements. Another example is the "blended" method of combining switched access service offerings of competitive local service providers who have combined network elements. Competitive local service providers who combine individual network elements into a total service package are sometimes known as UNE-P (Unbundled Network Element – Platform) providers.

Q. Does Schedule 4 depict an exact duplication of every possible rate comparison between McLeod's switched access service and AT&T Missouri's service?

A No, it does not. The reasons are two-fold. First, as stated above, the differences in the rate elements employed by the two companies tend to make exact comparisons difficult. Any attempt to show every possible rate comparison would, in my view, lead to an overload of data and make the schedule unwieldy. In this regard, Schedule 4 is an attempt to compare apples to apples, even though the attempt may appear somewhat as comparing green apples to red apples.

Secondly, there are other proposed rate elements being proposed by McLeod which are different than those of AT&T Missouri, but not shown in Schedule 4. Those elements include, but are not limited to, a tandem functionality charge, entrance facility charges, multiplexing charges and, a different method than AT&T Missouri of computing direct trunk transport charges. These other rate elements are examples of rate elements to which the cap on switched access does not apply.

Q. You have mentioned access rate elements of McLeod that are not being compared to AT&T Missouri. If a cap has been imposed on McLeod, why are all access rate elements of McLeod not being compared to AT&T Missouri?

A. The "tandem functionality charge" is a charge McLeod uses to bill wireless carriers for transport of toll-free (e.g. 800#) calls and there is no comparable AT&T Missouri rate element. Entrance facility and multiplexing charges represent the Local Transport Restructuring charges that McLeod uses to bill interexchange carriers who *elect* to purchase local transport on that basis. These types of rate elements are not compared to AT&T Missouri's exchange access service because they are purchased on a voluntary basis by interexchange carriers and do not, in the opinion of the Staff, represent a bottleneck access facility.

The rate elements that do form the basis of the comparison (and that are shown in Schedule 4) are the minimum rate elements that an interexchange carrier would need in order to access its customers. Those elements (or their equivalents) are: carrier common line, local switching, and local transport of a telephone call that involves tandem switching.[15] The elements represent the minimum facilities needed for a telephone call to traverse to/from an

[15] With the exception of an "information surcharge" (which AT&T Missouri does not have) this method of comparison is consistent with methods employed by the FCC in establishing interstate caps. See, for example, CC Docket No. 96-262, footnote 126; April 27, 2001.

interexchange carrier's Point of Presence all the way to/from the end-user customer. The Staff's method of comparison is the same method that has been used by the Commission in all access rate comparisons since the onset of local competition in 1996. The method simply involves adding up the above listed rate elements to arrive at a total aggregate comparison.

Q. Irrespective of the actual rates, does the Staff have any concerns about the existence of McLeod rate elements which do not parallel AT&T Missouri's rate elements?

A. Other than the potential for a residually priced interconnection charge which has been discussed previously, the Staff does not necessarily have any concerns that McLeod's exchange access rate elements do not exactly mirror AT&T Missouri's. Our primary concern is that the aggregate rates of McLeod's minimum elements, however described, do not exceed comparable elements of the incumbent AT&T Missouri.

Q. Has the Staff examined the financial impact of McLeod's proposal on other carriers in Missouri?

A. The Staff requested this information from McLeod on July 6, 2006. We received a response which was recognized as containing errors whereupon McLeod committed to updating the information. However, the updated information has not been received yet. I reserve the right to address this subject in my surrebuttal testimony.

Q. Ms. Spocogee states that McLeod has filed similar tariffs in eighteen other states and points to Missouri as the only state to have suspended its proposal (Direct Testimony; page 7, line 149). Ms. Spocogee states that "in fact" the vast majority of states have "accepted" the new tariff, including the rates, and such tariffs are in effect. What is your response?

A. The system of tariffing telecommunications service offerings varies among the many states. In Missouri, tariff proposals of this magnitude are filed in a manner which permits a minimum of 30 days in which the filing is reviewed for, among other matters, reasonableness of rates, terms, conditions and, adherence to administrative and legal standards. The 30-day review process permits a review period which may be suspended pending further inquiry (such as has occurred in this instance). Various other state utility commissions function differently by permitting tariffs to take effect immediately upon submittal. Any challenge involving the rates or reasonableness of a filing must be conducted only after the tariff has become effective. In my view, just because a tariff (or tariff sheets) has been “accepted” does not necessarily mean a state commission has completed its review of the tariff. Thus, in my opinion, the “facts” associated with the chart shown on page seven of Ms. Spocogee’s direct testimony do not mean that the eighteen other jurisdictions have completed their review of McLeod’s proposed offering, or even have the authority to complete such a review.

Q. Has the Staff pursued further dialog with McLeod about the status of McLeod’s filings in other jurisdictions?

A. Yes. After reading Ms. Spocogee’s testimony, the Staff sent Data Request Number 59 to McLeod in which we requested if the various states had any requirements for the level of access charges that may be imposed. McLeod’s response is attached to my testimony as Schedule 6.

Q. Please briefly summarize Schedule 6.

A. As can be seen, the status of eighteen similar proposals by McLeod in other states reflects considerable variation among those states. Fifteen of the nineteen states list the status as "effective", three are shown as "pending" and one, Missouri, is shown as "suspended." Some states, such as Texas and Michigan, are shown as "effective" but with review "still underway."

Q. Ms. Spocogee comments on the acquisition strategy of McLeod, and points to its adoption of various tariffs, the result of which was to place McLeod in a position of having a disparate collection of rates, terms, and conditions, all applying to the same general product line. Ms. Spocogee states that McLeod filed its new access tariff to, among other reasons, standardize its rates and conditions (Direct Testimony, page 4, line 91). What is your response?

A. Ms. Spocogee offers Dial U.S. and Consolidated Communications as Missouri examples of such adoptions. However, McLeod has only one access tariff and one set of exchange access rates in Missouri. Moreover, McLeod only operates in the area of one Missouri incumbent local exchange carrier; therefore, only one set of rates would be permissible. The certificates of Dial U.S. and Consolidated Communications have been cancelled in Missouri. The Staff is unaware of any examples to support Ms. Spocogee's position that McLeod has disparate exchange access tariff rates in Missouri.

Q. Ms. Spocogee points to the frequency with which McLeod has been involved with carriers refusing to pay McLeod's exchange access rates, even though McLeod's rates may be no higher than those of the incumbent carrier. She notes the general argument made by such recalcitrant carriers is that McLeod's rates are too high. Ms. Spocogee characterizes such a process as "time consuming and expensive" (Direct Testimony, page 5, line 104). What is your response?

A. It is certainly understandable for her to characterize such a process as time consuming and expensive. However, given that McLeod proposes to increase its rates significantly, it is difficult to understand how such increases will lead to a mitigation of difficulties.

Q. Ms. Spocogee also expresses McLeod's "hope" that its proposal will minimize inter-carrier access rate collection disputes by establishing logical benchmark pricing for its exchange access product line, and by providing rationality from a business standpoint (Direct Testimony; page 5, line 116). What is your response?

A. I sincerely wish the Staff could share McLeod's hope, but unfortunately we do not. In my view, and especially given the magnitude of its proposed increases, McLeod's proposal will likely exacerbate remittance difficulties with other carriers.

Q. Ms. Spocogee characterizes McLeod's tariff as an "access" tariff (Direct Testimony; page 3, line 54). Yet you refer to the subject as "exchange access." Is there a difference between "access" and "exchange access"?

A. Yes. "Access" services are a general category of services which one carrier may offer to another carrier for the purposes of interconnection, either directly or indirectly (end-users do not generally subscribe to services contained in an access tariff). "Exchange access" refers to a particular type of interconnection service which permits other carriers to "access" a local exchange network for the purposes of providing "interexchange" (i.e. long distance) services. Exchange access is but one form of the general category of access. Sometimes various individuals use the terms "access" and "exchange access" interchangeably and these distinctions should at least be noted for clarity. Although the term "exchange access" is synonymous with the term "switched access", other types of "access", such as "special access", are also found in access tariffs. In addition to "exchange access" and "special access" access tariffs may be used for other purposes as well. For example, a competitive local exchange carrier may permit its services to be resold by another competitive local exchange carrier. In those circumstances it would, in my opinion, be permissible to place such carrier-to-carrier offerings in an "access" tariff, even though the traffic in question is not interexchange traffic.

The Staff does not necessarily object to McLeod making its local exchange services available to other carriers pursuant to its "access" tariff. However, the Staff does object when, for example, carriers attempt to tariff "access" services in a manner that would circumvent reciprocal compensation obligations that should be the subject of negotiation. As I have previously discussed, McLeod's proposal to inject "Local Termination Service" into its "access" tariff involves just such an example.

Q. Previously in your testimony you expressed concerns about residual interconnection charges and local termination service. Does McLeod's current tariff contain such charges?

A. McLeod's currently effective access tariff, P.S.C. Mo. No. 3, contains descriptions of both of these rate elements. However, McLeod does not have a charge or rate listed for these elements. If, after hearing, the Commission approves McLeod's newest proposal and permits it to exceed the cap, I am unsure of the application of these rate elements in the future, even though they are currently set to $0.00.

Q. Please summarize your testimony.

A. The Commission has previously determined that switched access rates of competitive local exchange carriers are capped at a level to be no higher than the aggregate level of the incumbent with whom the competitor seeks to compete. In this instance, McLeod's rates are to be no higher than AT&T Missouri's. Pursuant to the terms of its local exchange certification, McLeod has filed a detailed cost study, and petitioned the Commission for authority to charge switched access rates that are higher than AT&T Missouri. In addition to Staff concerns over some of the assumptions listed in McLeod's cost study, McLeod's study is devoid of any support for the carrier common line rate element(s), for which it proposes a substantial increase above current common line rates, which are already six percent above the cap. Because McLeod did not submit cost support justification for the carrier common line rate element, 44 percent of the total revenue represented by the filing is without cost justification. In the Staff's view, lack of any cost support for the carrier common line rate element(s) is sufficient reason for the Commission to reject the tariff proposal.

McLeod's minute-by-minute cost recovery proposal places a disproportionate level of contributions on intrastate access rate payers because other rate payers, such as interstate exchange access carriers, other local exchange carriers, wireless carriers, and local exchange end-user customers, are not charged in a similar manner.

McLeod's filing does not support a public interest finding because its proposal is inconsistent with the manner in which the Missouri General Assembly has addressed intrastate switched access service, and is contrary to access reform dockets currently pending before the FCC.

Lastly, McLeod also proposes to insert reciprocal compensation charges into its access tariff. Such charges would apply to other carriers for the exchange of local telecommunications traffic. The Staff opposes the use of tariffs for the imposition of reciprocal compensation obligations because such charges should be a matter of negotiation among the carriers, whose rates (if any) should be set forth in interconnection agreements. Imposition of reciprocal compensation charges on other carriers would also appear to contravene the Commission's decision in Case No. TO-99-483, which permits competitors to participate in Missouri's Metropolitan Calling Area plan only on a bill-and-keep basis.

In conclusion, the Staff recommends the Commission reject McLeod's P.S.C. Mo. No. 6 tariff proposal.

Q. Does this conclude your Rebuttal Testimony?

A. Yes, it does.

William L. Voight

SUMMARY OF WORK EXPERIENCE

1974 – 1985 **United Telephone Company**, I began my telephone career on February 4, 1974, as a central office equipment installer with the North Electric Company of Gallion, Ohio. At that time, North Electric was the manufacturing company of the United Telephone System. My duties primarily included installation of all forms of central office equipment including power systems, trunking facilities, operator consoles, billing systems, Automatic Number Identification systems, various switching apparatuses such as line groups and group selectors, and stored program computer processors.

In 1976, I transferred from United's manufacturing company to one of United's local telephone company operations – the United Telephone Company of Indiana, Inc. I continued my career with United of Indiana until 1979, when I transferred to another United Telephone local operations company – the United Telephone Company of Missouri. From the period of 1976 until 1985, I was a central office technician with United and my primary duties included maintenance and repair of all forms of digital and electronic central office equipment, and programming of stored program computer processors. United Telephone Company is today known as **Embarq**.

1985-1988 In 1985, I began employment with **Tel-Central Communications, Inc.**, which at that time was a Missouri-based interexchange telecommunications carrier with principal offices in Jefferson City, Missouri. As Tel-Central's Technical Services Supervisor, my primary duties included overall responsibility of network operations, service quality, and supervision of technical staff. Tel-Central was eventually merged with and into what is today MCI.

In conjunction with Tel-Central, I co-founded **Capital City Telecom**, a small business, "non-regulated" interconnection company located in Jefferson City. As a partner and co-founder of Capital City Telecom, I planned and directed its early start-up operations, and was responsible for obtaining financing, product development, marketing, and service quality. Although Capital City Telecom continues in operations, I have since divested my interest in the company.

1988-1994 In 1988, I began employment with **Octel Communications Corporation**, a Silicon Valley-based manufacturer of Voice Information Processing Systems. My primary responsibilities included hardware and software systems integration with a large variety of Private Branch eXchange (PBX), and central office switching systems. Clients included a large variety of national and international Local Telephone Companies, Cellular Companies and Fortune 500 Companies. Octel Communications Corporation was later merged with Lucent Technologies.

1994-Present **Missouri Public Service Commission**

William L. Voight

TESTIMONY EXPERIENCE

Case No. TR-96-28	In the Matter of Southwestern Bell's tariff sheets designed to increase Local and Toll Operator Service Rates.
Case No. TT-96-268	In the Matter of Southwestern Bell Telephone Company's tariffs to revise PSC Mo. No. 26, Long Distance Message Telecommunications Services Tariff to introduce Designated Number Optional Calling Plan.
Case No. TA-97-313	In the Matter of the Application of the City of Springfield, Missouri, through the Board of Public Utilities, for a Certificate of Service Authority to Provide Nonswitched Local Exchange and Intrastate Interexchange Telecommunications Services to the Public within the State of Missouri and for Competitive Classification.
Case No. TA-97-342	In the Matter of the Application of Max-Tel Communications, Inc. for a Certificate of Service Authority to Provide Basic Local Telecommunications Service in Portions of the State of Missouri and to Classify Said Services and the Company as Competitive.
Case No. TA-96-345	In the Matter of the Application of TCG St. Louis for a Certificate of Public Convenience and Necessity to provide Basic Local Telecommunication Services in those portions of St. Louis LATA No. 520 served by Southwestern Bell Telephone Company.
Case No. TO-97-397	In the Matter of the Petition of Southwestern Bell Telephone Company for a Determination that it is Subject to Price Cap Regulation Under Section 392.245 RSMo. (1996).
Case No. TC-98-337	Staff of the Missouri Public Service Commission, Complainant, vs. Long Distance Services, Inc., Respondent.
Case No. TO-99-227	Application of Southwestern Bell Telephone Company to Provide Notice of Intent to File an Application for Authorization to Provide In-Region InterLATA Services Originating in Missouri Pursuant to Section 271 of the Telecommunications Act of 1996.
Case No. TA-99-298	In the Matter of the Application of ALLTEL Communications, Inc. for a Certificate of Service Authority to Provide Basic Local Telecommunications Service in Portions of the State of Missouri and to Classify Said Services and the Company as Competitive.
Case No. TO-99-596	In the Matter of the Access Rates to be Charged by Competitive Local Exchange Telecommunications Companies in the State of Missouri.
Case No. TO-99-483	In the Matter of an Investigation for the Purpose of Clarifying and Determining Certain Aspects Surrounding the Provisioning of Metropolitan Calling Area Service After the Passage and Implementation of the Telecommunications Act of 1996.

Case No. TO-01-391	In the Matter of a further investigation of the Metropolitan Calling Area Service after the passage and implementation of the Telecommunications Act of 1996.
Case No. TO-01-416	In the Matter of Petition of Fidelity Communications Services III, Inc. Requesting Arbitration of Interconnection Agreement Between Applicant and Southwestern Bell Telephone Company in the State of Missouri Pursuant to Section 252 (b)(1) of the Telecommunications Act of 1996.
Case No. TO-01-467	In the Matter of the Investigation of the State of Competition in the Exchanges of Southwestern Bell Telephone Company.
Case No. TT-02-129	In the Matter of AT&T Communications of the Southwest, Inc.'s Proposed Tariff to Establish a Monthly Instate Connection Fee and Surcharge.
Case No. TC-02-1076	Staff of the Missouri Public Service Commission, Complainant, vs. BPS Telephone Company, Respondent.
Case No. TK-04-0070	In the Matter of the Application of American Fiber Systems, Inc. for Approval of an Agreement with Southwestern Bell Telephone, L.P. d/b/a SBC Missouri, Under the Telecommunications Act of 1996.
Case No. CO-2005-0066	In the Matter of the Confirmation of Adoption of an Interconnection Agreement with CenturyTel of Missouri, LLC d/b/a CenturyTel and Spectra Communications Group, LLC d/ba CenturyTel by Socket Telecom, LLC
Case No. TO-2003-0257	In the Matter of the Request from the Customers in the Rockaway Beach Exchange for an Expanded Calling Scope to Make Toll-Free Calls to Branson
Case No. IO-2006-0086	Application of Sprint Nextel Corporation for Approval of the Transfer of Control of Sprint Missouri, Inc., Sprint Long Distance, Inc. and Sprint Payphone Services, Inc. From Sprint Nextel Corporation to LTD Holding Company.
Case No. LT-2006-0162	In the Matter of Tariff No. 3 of Time Warner Cable Information Services (Missouri), LLC, d/b/a Time Warner Cable.
Case No. TM-2006-0272	In the Matter of the Application for Approval of the Transfer of Control of Alltel Missouri, Inc. and the Transfer of Alltel Communications, Inc. Interexchange Service Customer Base.

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

Stip & Agree

In the Matter of the Application of AT&T Communications of the Southwest, Inc. for a Certificate of Service Authority to Provide Basic Local Exchange and Local Exchange Services.	)	Case No. TA-96-322
In the Matter of the Application of MCImetro Access Transmission Services, Inc., for Certificates of Service Authority to Provide Basic Local Telecommunications Services and Exchange Access Services and to Classify Such Services as Competitive.	)	Case No. TA-96-355
In the Matter of the Application of Brooks Fiber Communications of Kansas City, Inc., for Certificates of Service Authority to Provide Basic Local Telecommunications Services, Local Exchange Telecommunications Services, Exchange Access Services, and Interexchange Telecommunications Services in the State of Missouri, and to Classify the Company and Its Services as Competitive.	)	Case No. TA-96-438
In the Matter of the Application of MFS Intelenet of Missouri, Inc. for a Certificate of Service Authority to Provide Basic Local Exchange and Local Exchange Services.	)	Case No. TA-96-374

FILED
SEP 23 1996
MISSOURI
PUBLIC SERVICE COMMISSION

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Schedule 3-1

In the Matter of the Application of Digital Teleport, Inc. for Certificates of Service Authority to Provide Basic Local Telecommunications Services and Exchange Access Services and to Classify Such Services as Competitive.	)	Case No. TA-96-406
In the Matter of the Application of Ameritech Communications International, Inc., for a Certificate of Local Exchange Service Authority to Provide and/or Resell Basic Local Telecommunications Service and Local Exchange Telecommunications Services.	)	Case No. TA-96-415
In the Matter of the Application of Sprint Communications Company, L.P. for a Certificate of Service Authority to Provide Basic Local Telecommunications Service and Local Exchange Telecommunications Service.	)	Case No. TA-96-424

STIPULATION AND AGREEMENT

AT&T Communications of the Southwest, Inc. ("AT&T") initiated this proceeding on March 29, 1996, by filing an Application requesting certificates of service authority to provide local exchange and basic local exchange services in all exchanges currently served by Southwestern Bell Telephone Company and GTE Midwest Incorporated. AT&T subsequently amended its Application to additionally request authority to serve exchanges currently served by United Telephone Company of Missouri.

The Commission has granted the timely applications to intervene of MCI Telecommunications Corporation, Mid-Missouri Group,[1] Southwestern Bell Telephone

[1]The Mid-Missouri Group is comprised of Alma Telephone Company, Chariton Valley Telephone Corp., Choctaw Telephone Company, Mid-Missouri Telephone Company, MoKan Dial, Inc., Northeast Missouri Rural Telephone Company, and Peace Valley Telephone Company.

Respectfully submitted,

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Updated: September 19, 1996

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Intrastate Switched Access Rate Comparison

Originating:

a		b	c	d	e	f	g
Rate Element[1]		**McLeod Current**	**McLeod Proposed**	**Percentage Change (c-b)/b**	**AT&T Current**	**Comparison with Current AT&T Rate**	
						McLeod Current (b-e)/e	**McLeod Proposed (c-e)/e**
CCL		.01000	.01813	+ 81%	.0094626	+ 6%	+ 92%
Switching		.00848	.02033	+ 140%	.008009	+ 6%	+ 154%
Tandem Switched Termination		None	.00169	N/A	None	N/A	N/A
Tandem	0 to 1 mile	.0050	.00076[3]	- 85%	.0048	+ 4%	- 84%
Switched	Over 1 to 25 miles	.0077	.01900[3]	+ 147%	.0073	+ 5%	+ 160%
Transport/	Over 25 to 50 miles	.0162	.03800[3]	+ 135%	.0154	+ 5%	+ 147%
minute[2]	Over 50 miles	.0274	.05700[4]	+ 108%	.0259	+ 6%	+ 120%
Totals[5]		0.02348	0.04091	**+ 74%**	0.0222716	**+ 5%**	**+ 84%**

Terminating:

a		b	c	d	e	f	g
Rate Element		**McLeod Current**	**McLeod Proposed**	**Percentage Change (c-b)/b**	**AT&T Current**	**Comparison with Current AT&T Rate**	
						McLeod Current (b-e)/e	**McLeod Proposed (c-e)/e**
CCL		.018133	.01813	- .02%	.0171586	+ 6%	+ 6%
Switching		.008480	.02033	+ 140%	.008009	+ 6%	+154%
Tandem Switched Termination		None	.00169	N/A	None	N/A	N/A
Tandem	0 to 1 mile	.0050	.00076[3]	- 85%	.0048	+ 4%	- 84%
Switched	Over 1 to 25 miles	.0077	.01900[3]	+ 147%	.0073	+5%	+ 160%
Transport/	Over 25 to 50 miles	.0162	.03800[3]	+ 135%	.0154	+5%	+ 147%
minute[2]	Over 50 miles	.0274	.05700[4]	+ 108%	.0259	+6%	+ 120%
Totals[5]		.031613	.04091	**+ 29%**	.0299676	**+ 5%**	**+ 37%**

McLeod rates were last adjusted effective May 20, 2000.
AT&T rates were last adjusted effective December 01, 2005.

[1] The names of the rate elements may differ slightly between McLeod and AT&T.
[2] The tandem switched transport per-minute rate element is divided into four distance-sensitive mileage bands by AT&T and current McLeod.
[3] The McLeod proposed per-minute per-mile rate is multiplied by the highest mileage figure of the corresponding distance-sensitive rate band.
[4] An arbitrarily-selected call distance of 75 miles is used to obtain a comparable per-minute rate for the illustrative purposes of this table.
[5] Total figures assume one mile of tandem switched transport.

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

ACCESS SERVICES

RECEIVED
JUN 27 1986
MISSOURI
Public Service Commission

3. CARRIER COMMON LINE ACCESS SERVICE-(Continued)

(CP) 3.7 Rate Regulations-(Continued)

F. After the adjustments as set forth in Paragraphs 3.7, D., and E., preceding, have been applied, when necessary, to the Carrier Common Line Access access minutes, the charges for the involved IC account will be determined as follows:

1. The originating and terminating access minutes for a Premium Access Carrier will be multiplied by the transitional charges as set forth in Paragraph 3.8, following, to determine the charges.

2. The originating and terminating access minutes for a non-Premium Access Carrier will multiplied by the transitional charges in Paragraph 3.8, following and by:

   0.65 for access minutes in 1984,
   0.77 for access minutes in 1985,
   0.88 for access minutes from January 1, 1986, through August 31, 1986.

   to determine the charges.

3.8 Rates and Charges

The rates for Carrier Common Line Access are:

	Rate
Transitional Charge	
Access Minute, each terminating	$0.0521
(NR) Access Minute, each originating	0.0304

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JUL 1 1986
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Public Service Commission

Issued: JUN 27 1986 Effective: JUL 1 1986

By R. D. BARRON, President-Missouri Division
Southwestern Bell Telephone Company
St. Louis, Missouri

Schedule 5-1

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

(CP)ACCESS SERVICES

6. SWITCHED ACCESS SERVICE-(Continued)

6.8 Rates and Charges

6.8.1 Local Transport

A. Call Miles

Call Miles	Rates Per [illegible]
0 to 1.	$.0066
Over 1 to 25.	.0139
Over 25 to 50	.0525
Over 50	.0823

	USOC	Nonrecurring Charge
B. Installation		
- Per Line or Trunk		$69.82

C. Minimum Monthly Charge

Mileage Bands	Minimum Transport Charge Per BHMC
0 to 1	$0.6560
Over 1 to 25	1.3963
Over 25 to 50	5.2564
Over 50	8.2400

D. Network Blocking Charge(1)	Rate Per Call Blocked
- Per call	$.0052

E. Nonchargeable Optional Features

	USOC	FID
1. Supervisory Signaling		
DX Supervisory Signaling arrangement - Per Transmission Path(2)	NCI	++DX+
SF Supervisory Signaling arrangement - Per Transmission Path(3)	NCI	++SF+

(1) Applies to FGD.
(2) Available with Interface Groups 1 and 2.
(3) Available with Interface Groups 2 and 6 through 10.

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By R. D. BARRON, President-Missouri Division
Southwestern Bell Telephone Company
St. Louis, Missouri

Schedule 5-2

No supplement to this tariff will be issued except for the purpose of canceling this tariff.

(CP)ACCESS SERVICES

6. SWITCHED ACCESS SERVICE-(Continued)

6.8 Rates and Charges-(Continued)

6.8.2 End Office

A. Local Switching

	Rates Per Access Minute
LS1 - Feature Groups A & B.	$.0036
LS2 - Feature Groups C & D.	.0056

1. Common Switching Nonchargeable Optional Features

	FID
Call Denial on Line or Hunt Group (available with FGA) - Per Transmission Path or Transmission Path Group.	CAD
Service Code Denial on Line or Hunt Group (available with FGA) - Per Transmission Path or Transmission Path Group.	SCD
Hunt Group Arrangement (available with FGA) - Per Transmission Path Group	HML/HTG
Uniform Call Distribution Arrangement (available with FGA) - Per Transmission Path Group	HTY UD

Data Request No. 0059

On the list of states in the table beginning on line 154, page 7 of McLeod witness Spocogee's Direct Testimony, please describe, for each state listed, whether or not the state has any requirements (guideline, law, commission order, statute, e.g.) for the level of access charges that a competitive local exchange carrier (CLEC) may or shall charge.

McLeodUSA Response 0059:

Please see the table below:

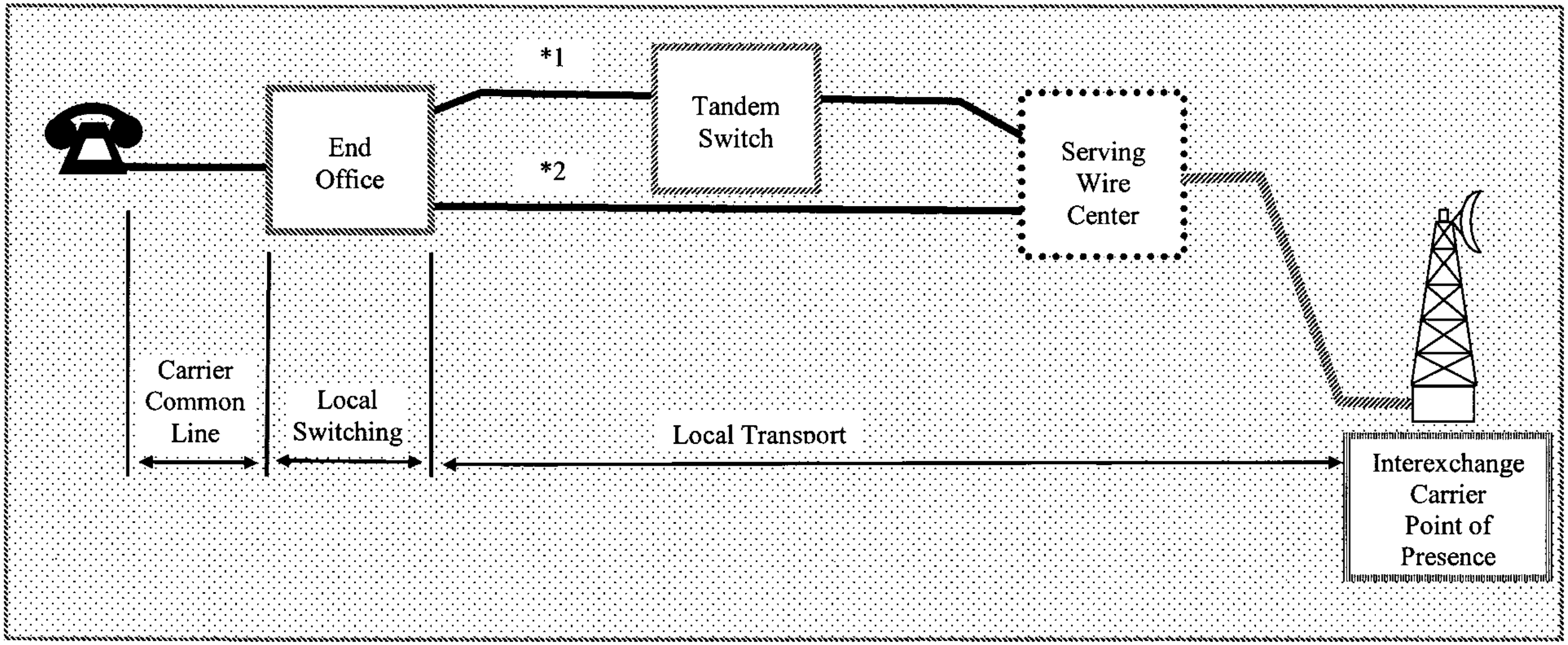
Jurisdiction	Status	Notes	Rules, statutes and policies governing CLEC switched access rates
Arizona	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Review still underway
Colorado	Pending	After discussions with Staff, revised tariffs have been submitted in accordance with Staff input and will become effective September 22, 2006.	Colorado Revised Statutes, Title 40, Article 15, Section 105.
Idaho	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Review still underway
Illinois	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Review still underway
Indiana	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	There are no rules, statutes, orders, etc that apply caps or limitations for access rates to CLECs.
Iowa	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Access rates are deregulated in Iowa
Kansas	Effective	At the request of the Commission Staff, changes were made to provisions for deposits and late payment penalties in accordance with Kansas specific requirements. With those revisions, tariffs were accepted and are currently in effect.	There are no rules, statutes, orders, etc. that apply caps or limitations for access rates to CLECs. However, all CLEC Access rates are reviewed by KCC staff. If staff feels that the rates are "out-of-line" and CLEC is unwilling to adjust, then the rates will be submitted to Commission for review and

			approval.
Michigan	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Review still underway
Minnesota	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	There are no rules, statutes, orders, etc. that apply caps or limitations for access rates to CLECs. However, all CLEC Access rates are reviewed by MN PUC staff. If staff feels that the rates are "out-of-line" and CLEC is unwilling to adjust, then the rates will be submitted to Commission for review and approval.
Missouri	Suspended	Being reviewed in Docket No. TT-2006-0474	
Nebraska	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Statutory Provisions: The primary provisions are Chapter 86-140, 141 and 314. This is not all inclusive, there may be others.
New Mexico	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	NM Administrative Code 17.11.10.8, Reduction of Intrastate Switched Access Charges. Also see Case No. 05-00211-UT.
North Dakota	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Review still underway
Ohio	Pending	Discussions with Staff regarding certain terms and conditions are ongoing.	See Case No. 00-127-TP-COI . To briefly summarize: a CLEC can charge no more than what the ILEC rates were in the year 2000 for a given service area of the ILEC. For CLEC to exceed those rates, a cost justification/ study must be submitted, reviewed and approved.
South Dakota	Pending	McLeodUSA responding to various data requests from Commission Staff	SD Administrative Rules for Switched Access Services Sections 20.10.27, 20.10.28 and 20.10.29.
Texas	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Review still underway.

Utah	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	There are no rules, statutes, orders, etc. that apply caps or limitations for access rates to CLECs. The state relies on competition to keep the rates competitive with the ILEC.
Washington	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	Washington Administrative Code 480-120-540.
Wisconsin	Effective	Rates, terms and conditions were accepted, as filed, and are currently in effect	There are no rules, statutes, orders, etc. that apply caps or limitations for access rates to CLECs. However, the commission has reserved the right to deal with any complaints as a result of excessive or inappropriate access rates.

Current "Equal Charge" Rate Application for Local Transport

[Local Transport only occurs within a Local Access Transport Area (LATA)]



Present Switched Access Rate Structure

Rate Element	*Present Charging Method*
Carrier Common Line	Per Minute of Use
Local Switching	Per Minute of Use
Local Transport (Regardless of serving method, i.e. Common or Dedicated)	Per Minute of Use per Mile of Transport

*1 Common (or Tandem-Switched transport) = Facilities that carry traffic for multiple Interexchange Carriers
*2 Dedicated (or Direct-Trunked transport) = Facilities that carry traffic for only one Interexchange Carrier

Glossary of Terms used in Testimony

Access Services Tariff – A document, submitted to and approved by the Missouri Public Service Commission, containing the rates, terms, and conditions of telephone service provided by one telecommunications company to another. Local exchange carriers maintain one access services tariff with state commissions, and another pursuant to requirements of the Federal Communications Commission. Each tariff represents the state and federal jurisdiction, respectively, and only the intrastate tariff is reviewed by the Missouri Public Service Commission.

Access Rate Payers – Interexchange carriers that pay exchange access rates to local exchange carriers for use of the local carrier's network.

Bill-and-Keep – An intercarrier compensation method which does not involve the exchange of financial compensation between carriers. A method of billing in which the subscribing end-user's carrier "bills" the retail subscriber for the service and "keeps" all the money, without having to financially compensate other telecommunications companies for the exchange of traffic.

Blended Rates – A method of applying exchange access charges in which all traditional rate elements are "blended" together to form one single rate element.

Contributions – A term generally attributable to a telecommunications company's profits, the source of which may be attributable to general categories of services or customers.

Carrier Common Line (CCL) Rate Element – A per-minute of use rate element of exchange access service said to represent costs associated with the subscriber's local loop.

Competitive Local Exchange Carrier (C-LEC) – A local exchange telecommunications company formed in Missouri after December 31, 1995.

Cost Justified – A method of charging for telecommunications services in which the rates are based on the company's cost of providing the service, as contrasted with a method in which rates are established in a utility rate-making proceeding, such as that commonly used in rate-of-return regulatory processes.

CPI-TS – Consumer Price Index for Telecommunications Services as found on the Bureau of Labor Statistics website: http://data.bls.gov/PDQ/outside.jsp?survey=cu. The CPI-TS calculation includes landline telephone services for local and long distance charges, landline interstate and intrastate toll calls, and wireless telephone services.

Direct Trunk Transport – A local transport restructuring term used to describe connections from an interexchange carrier's point of presence to an end telephone office. Direct trunk transport is contrasted with tandem switched transport, and is comprised of connections that are used to transport the traffic of only one IXC, as contrasted with tandem-switched connections, which are used to carry the traffic of multiple IXCs. Direct trunk transport connections are commonly used by large IXCs who may have a large volume of traffic serving an end office.

Direct Interconnection – A process of physically connecting the facilities of two telephone networks directly together, without benefit or use of the facilities of a third-party intermediary carrier.

Exchange Access – The offering of access to telephone exchange services or facilities for the purpose of the origination or termination of telephone toll services.

Exchange Access Rates – Rates paid by an interexchange carrier to a local exchange carrier for use of the local exchange carrier's telephone network. Also called switched access rates.

Exchange Access Customers – Interexchange carriers who pay exchange access rates to local exchange carriers.

Exchange Area – A geographical area for the establishment and administration of telecommunications services, as described in the tariffs of local exchange carriers, and approved by the Missouri Public Service Commission.

End-user Customer – Individuals, organizations, and businesses who subscribe to telephone service. End-users are not telecommunications companies.

Entrance Facility – A local transport restructuring term used to describe connections from an interexchange carrier's point of presence to a local exchange telecommunications carrier's serving wire center.

EUCL – End User Common Line Charge or simply "common line charge" so called because a subscriber's local loop is said to be used for all telecommunications services "in common." EUCL charges are placed on the telephone bills of customers subscribing to local exchange telecommunications service. EUCL charges are said to assist in recovery of the accounting entries which attribute a certain portion of a subscriber's local loop to the interstate accounting jurisdiction. The term "EUCL" is synonymous with the term "Subscriber Line Charge" or "SLC."

Flat-rate Transport – A local transport restructuring term used to describe a pricing method of direct trunk transport. Such pricing methods are based solely on monthly recurring charges, irrespective of the quantity of telecommunications traffic which traverses the facility.

Incumbent Local Exchange Carrier (I-LEC) – A local exchange carrier, or its successor in interest, operating in Missouri as of December 31, 1995.

Indirect Interconnection - A method of connecting the networks of two telephone carriers by use of an intermediary third–party carrier's network.

Interexchange Carrier (IXC) – A telecommunications company who provides service between exchanges in Missouri.

Intercarrier Compensation Rules – Governmental regulations setting forth the terms and conditions of rates charged for exchange of traffic between two or more telecommunications companies.

Interconnection Agreements - Documents describing the rates, terms, and conditions of interconnection between two companies for the provision of local exchange telecommunications traffic. If involving an incumbent local exchange carrier, the documents are to be submitted to a state commission for approval.

Local Exchange Carrier (LEC) – Any company engaged in the provision of local exchange telecommunications service.

Local Exchange Telecommunications Service – Telecommunications service between points within an exchange area.

Local Loop – Facilities connecting a subscriber's premises with a telephone company central office.

Local Switching Rate Element – A per-minute charge associated with the end-office switching component of exchange access service.

Local Transport – The method of transporting telephone traffic to or from an interexchange carrier's Point of Presence to or from any subscriber within a Local Access Transport Area. Even though Local Transport occurs entirely within a LATA, Local Transport carries an interstate and an intrastate portion of telecommunications traffic.

Local Transport Rate Element - A charge, often stated on a per-minute of use basis as well as a per-mile basis, associated with the distance-sensitive component of exchange access service.

Local Transport Restructuring – A method of charging for Local Transport which was implemented by the Federal Communications Commission pursuant to CC Docket 91-213. The purposes were to: (1) encourage efficient use of transport facilities by allowing pricing that reflects costs; (2) adopt a rate structure conducive to full and fair interexchange competition; and (3) to avoid interference with the development of interstate access competition. Incumbent local exchange carriers in Missouri have not restructured the intrastate portion of local transport. With but few exceptions, competitive local exchange carriers in Missouri have also not restructured local transport. McLeod's P.S.C. Mo. No. 6 contains elements of Local Transport Restructuring as well as traditional elements associated with the FCC's "equal charge" method of local transport.

Local Voice Service – A term synonymous with local exchange service.

Missoula Plan – An intercarrier compensation reform proposal filed with the Federal Communications Commission in July 2006 by the National Association of Regulatory Utility Commissioners' Task Force on Intercarrier Compensation. So named because the plan was formulated in Missoula, Montana.

Metropolitan Calling Area Service (MCA) – An optional expanded local calling scope service available in Kansas City, Springfield, and St. Louis. MCA was implemented by order of the Commission on December 23, 1992 in Case No. TO-92-306. Competitive local exchange carriers have been permitted to participate in the Plan pursuant to Case No. TO-99-483.

Multiplexing Charge – A local transport restructuring term used to describe the capability of converting the capacity or bandwidth of a facility from a higher level to a lower level, or from a lower level to a higher level.

Network Element – A facility or equipment used in the provision of a telecommunications service.

Originating Traffic – Telephone traffic which is forwarded from the party responsible for originating a telephone call.

Point of Presence - The equipment location of an interexchange carrier.

Price Cap – A term applied to incumbent local exchange carriers who have elected a form of rate regulation in which rates for services cannot exceed a certain predetermined level. In Missouri, price cap rates for services deemed to be basic in nature are adjusted annually (either up or down) to reflect changes in the CPI-TS index. Exchange access rates are also adjusted annually according to the CPI-TS. Rates for services deemed to be non-basic may be raised annually by no more than five percent.

Primary Toll Carrier – An intraLATA long distance calling plan approved by the Commission on October 23, 1987 in Case No. TO-84-222. As ordered by the Commission, all local exchange carriers in Missouri were required to direct all intraLATA long distance telephone calls to one of three "toll carriers." Those three carriers were GTE, Sprint, and Southwestern Bell Telephone Company. The PTC Plan was disbanded pursuant to Case No. TO-97-217, and the implementation of intraLATA presubscription in Missouri.

Public Interest – Something in which the public as a whole has a stake; especially an interest that justifies governmental regulation.

Rate of Return Regulation – A term applied to the process of setting rates for incumbent local exchange carriers whose profits are set at limits established by the Missouri Public Service Commission.

Reciprocal Compensation – A compensation arrangement between two carriers in which each of the two carriers receives compensation from the other carrier for the transport and termination of each carrier's network facilities for telecommunications traffic that originates on the network facilities of the other carrier.

Residual pricing – A method of establishing basic local service rates for rate of return regulated companies. The company's basic local service rates are set to recover the difference or residual amount of the company's intrastate revenue requirement and the revenue generated from all other intrastate services other than basic local service.

Residual Interconnection Charge (RIC) – A local transport restructuring term used to describe an exchange access rate element that has been priced residually.

Revenue Requirement - A term used in traditional rate of return regulation which describes the total amount of revenue a telephone company is authorized to receive.

Serving Wire Center – A term used to describe the nearest local exchange telephone office to an interexchange carrier's Point of Presence.

SLC – Subscriber Line Charge, same as EUCL.

Switched Access Service – A term synonymous with Exchange Access Service.

Tandem Functionality Charge – A term used to describe the per-minute rate McLeod proposes to charge wireless carriers for the transport and delivery of toll free (e.g. 800#) calls.

Tandem Switching – An aspect of local transport which connects traffic between two telephone company central offices by virtue of a switching arrangement. In contrast to a "direct" method of connecting the two offices, which involves the traffic of only one IXC, tandem switching involves traffic of multiple IXCs.

Tariff – A document describing the rates, terms, and conditions of telecommunications service, as on file with, and approved by, the Missouri Public Service Commission.

Tariff Adoption – A process by which one telecommunications company establishes responsibility for the tariff of another telecommunications company.

Telecommunications Act of 1996 – A federal bill signed into law on February 8, 1996 "to promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage rapid deployment of new telecommunications technologies."

Terminating Traffic – Telephone traffic which is forwarded to the receiving party.

Total Service Long Run Incremental Cost – The total service long run incremental cost (TSLRIC) of a service (or group of services) is equal to the firm's total cost of producing all its services including the service (or group of services) in question, minus the firm's total cost of producing all its services except the service (or group of services) in question. Thus, it is particular form of long run incremental cost (LRIC), in which the specified increment is the entire volume of output of a particular service, while all other services remain unchanged.

Traffic – The amount of activity during a given period of time over a circuit, line, group of lines, or the number of telephone calls handled by a communications switch.